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RUEHFK/AMCONSUL FUKUOKA IMMEDIATE 5068
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RUEHOK/AMCONSUL OSAKA KOBE IMMEDIATE 8871
RUEHKS/AMCONSUL SAPPORO IMMEDIATE 5589
RUEHIN/AIT TAIPEI IMMEDIATE 7411
RUEAIIA/CIA WASHDC IMMEDIATE
RHEFDIA/DIA WASHINGTON DC IMMEDIATE
RUCPDO/DEPT OF COMMERCE WASHINGTON DC IMMEDIATE
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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 001536

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SUBJECT: ASO WEAKENED FURTHER BY INDECISION ON CABINET,
LEADERSHIP SHUFFLE

REF: TOKYO 1437

Classified By: CDA James P. Zumwalt, Reasons 1.4 (b) and (d).

11. (C) Summary: Prime Minister Aso's decision July 1 to make just two minor adjustments to his Cabinet and leave other portfolios and party executive positions unchanged has touched off a new round of criticism over his inability to exercise decisive leadership. Media reports cite his failure to take bold action to reverse the ruling coalition's sagging fortunes as further evidence of his inability to lead. Opposition leaders accuse Aso of "flip-flopping" and are declaring his administration in "terminal" condition. Aso has tried to defend himself by declaring that he had never indicated any intention to undertake a major shakeup this close to the next Lower House election. Embassy contacts say this latest display of weak leadership could worsen further the LDP's prospects in the upcoming Tokyo city assembly election--a key barometer of the public's mood--and increase pressure from within Aso's own party for the prime minister to step down. Biographies of the new ministers are at paragraphs four and five. End Summary.

TWO MINOR CABINET ADJUSTMENTS
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12. (C) PM Aso is under fire again for failing to take bold action and shuffle his leadership team on July 1, choosing instead to make two minor adjustments to his Cabinet. Aso defended his decision to appoint former Defense Minister Yoshimasa Hayashi to the post of Minister for Economic and Fiscal Planning and the unrelated Motoo Hayashi to the same National Public Safety Commission position he held previously as a way of relieving the burden on triple-hatted Finance Minister Kaoru Yosano and double-hatted Internal Affairs and Communications Minister Tsutomu Sato. While the two Hayashi's are strong picks for their respective portfolios, there appears to be little practical purpose to adding them to the Cabinet at this point. Rebutting criticism that the two appointments are "too little too late," Aso denied ever having promised to do more to shake up his administration. Embassy contacts attribute his failure to undertake a more meaningful shuffle to pressure from senior Liberal Democratic Party (LDP) figures, including former Prime Minister Yoshiro

Mori.

A WEAKENING PRIME MINISTER AND LDP

13. (C) Opposition Democratic Party of Japan (DPJ) President Yukio Hatoyama remarked shortly after the appointments: "He is always flip-flopping and cannot make a decision quickly. I believe people have become aware that his administration is in a terminal condition." Several LDP lawmakers complained publicly that Aso came off looking weak and only highlighted disarray within the party. Embassy contacts say that Aso's weak response and seeming inability to take control could damage further the LDP's chances to carry the July 12 Tokyo city assembly election as well as the Lower House election. In the most recent blow to Aso and his party, the LDP's candidate for governor of Shizuoka prefecture lost to her DPJ-backed opponent yesterday. This result gives the DPJ, which has won a string of recent local elections, undeniable momentum heading into the Lower House election. Although Embassy contacts expect LDP Diet members to increase pressure on Aso to step down if the LDP does poorly in the upcoming Tokyo election, well-placed LDP staffers continue to argue that he will stay in place for lack of a suitable successor. A senior broadcast journalist noted July 1 that the failure of the "anti-Aso" forces to put forward a specific candidate is an indication that moves to "oust" Aso are actually on the decline, and he anticipated

TOKYO 00001536 002 OF 002

lawmakers will be too focused on re-election to deal with a leadership fight.

BIOGRAPHIES OF ASO'S NEW CABINET MEMBERS

14. (C) Yoshimasa Hayashi (48), Minister of Defense under former PM Fukuda and former Chairman of the LDP's Regulatory and Structural Reform Committee, is internationally inclined, well versed in economic and fiscal policy matters, and has a strong background in foreign and security policy issues. He has been rumored to be a potential LDP presidential candidate in the future because of his strong intellect and his skills at handling questions in the Diet and during parliamentary debate. His strong credentials suggest he can be a good Minister for Economic and Fiscal Planning, but with all Japan's budget bills passed and the 2009-10 Honebuto (framework for Japanese fiscal and economic policy) agreed upon, there appears to be little for Hayashi to do in the period before the upcoming Lower House election. Furthermore, it is unlikely that Finance Minister Yosano would delegate anything substantial to Hayashi given his strong position with the Cabinet and the broader domestic and international economic policy community. Hayashi is a third-term member of the Upper House of the Diet, representing Yamaguchi Prefecture. A graduate of Tokyo University's Law Department and Harvard University, he has strong English skills and wide contacts with U.S. officials.

15. (C) Motoo Hayashi (62), no relation to Yoshimasa, returns to the post of National Public Safety Commission Chairman, which he held until last August under then PM Fukuda. A five-term member of the Lower House of the Diet representing Chiba's 10th District, he was first elected in 1993. He belongs to the Yamasaki faction of the LDP. His mottos are "politics that is easy for the public to understand who the main character is" and "realization of a heart-felt society with priority on people's lives." He entered politics in 1972 as a secretary to his father, Taikan Hayashi, who was also a LDP Lower House representative. Motoo Hayashi was later elected as a member of the Chiba Prefectural Assembly and served three

terms in the local legislature. During that time he also served as Vice-Chair for policy research coordination for the LDP Chiba chapter. He assumed his father's constituency and was elected to the Diet in 1993. Since then he has served as the Parliamentary Vice Minister for Transportation under the Obuchi Cabinet in 1998, and as Vice Minister of Land, Infrastructure, and Transportation under the Koizumi Cabinet in 2003.

ZUMWALT